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(FOUO 33/82)



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POLITICAL AND SOCIOLOGICAL

EMERGING NEW LDP LEADERS' TACTICS EXAMINED

Tokyo NIHON KEIZAI SHIMBUN in Japanese 15 Apr 82 p 2

[Text] Aim at "new LDP members by August." The LDP's new leaders, who are fighting a post-Suzuki LDP presidential race, have eagerly engaged themselves this year in a recruitment campaign for new members that will close at the end of August. If Prime Minister Suzuki is reelected in this November's LDP presidential election, he will not be running again in 1984 in accordance with the party rule that prohibits a president from serving more than two terms. Therefore, the 1984 presidential election will be a decisive battle for the new leaders. Voters who will be eligible in the 1984 presidential primary election are limited to those members who begin paying membership fees this August. Consequently, victory will depend on how many "sympathizers" can be enrolled now. After the current Diet session ends in May, a sideshow "summer battle" aiming at the election 2 years hence will be underway concurrently with the main stage drama of Suzuki's reelection this fall.

When more than four persons run for president in an LDP presidential election, a primary election is held. Voters in the primary are the LDP membership and friends of the party (members of the Liberal National Council, an auxiliary organ of the LDP). In the primary, three presidential candidates are chosen on the basis of the number of votes received. Then, the LDP members of both houses of the Diet elect the president in a second election. In the 1978 LDP presidential election, then Prime Minister Fukuda was defeated by then LDP Secretary General Ohira in the primary and withdrew his candidacy before the second election. So, it is possible that the person who receives the most votes in the primary can secure "an express ticket" to the presidency.

If a primary election is held this November, the voters will be current members who renew their memberships this July (1.17 million members). However, since the possibility of the primary being held this year is slim, no faction is preparing for this year's primary election. Instead, every faction is exclusively engaged in recruiting new members who will be eligible voters in "the decisive 1984 battle."

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For this reason, new leaders' interests are also focused on recruiting new members. The first step in new member recruitment strategy is to organize a supporters' association in various places throughout the country. Deputy Secretary General Takeshita, who has already organized about 20 such associations, is trying to increase the number to 30 within this year. MITI Minister Abe and Science and Technology Agency Director Nakagawa, who have about 20 supporters' associations each, are hustling to further expand their networks of organizations. The new leaders are engaging themselves in a fight so confusing that "we are colliding with Mr Abe's camps everywhere" (Mr Takeshita). The "senior" new leader, Chief Cabinet Secretary Miyazawa, who at one time intended to watch the situation calmly, has now begun organizing his own supporters' associations, starting with the Hiroshima Miyazawa-kai inaugurated on 10 April. He is planning to start associations in Kure, Okayama, Kyoto, Nagoya, and Tokyo one after another. It seems that "territorial wars" between the LDP's new leaders are going on throughout the Japan Islands.

Every camp officially declares that these are "not movements intended for the primary election" and declines to disclose its strategy. Within the party, however, the following view is widely supported. "If one has a base in various regions, it is obviously advantageous for recruitment of party members. If one sets off a small stick of dynamite, it will immediately start a fire" (a high-ranking member of the LDP National Organization Committee). Administrative Management Agency Director Nakasone and Economic Planning Agency Director Komoto who will be challenged by the new leaders say that "competition in recruiting party members is good because it generates vitality in the party" (Mr Nakasone) or "we have not started organizing yet...." (Mr Komoto's staff). But the situation may not allow them to proceed in as leisurely a manner as they seem to be doing.

Moreover, the rules for the primary have been changed from the "point system" (two leading vote getters in each prefecture get a point) to a total votes system. Consequently, one does not need to get many votes in every prefecture. One has a chance of becoming one of the three candidates by concentrating large numbers of votes in just a few prefectures. At the final stage of recruitment campaign for new members, the result of each camp's secret strategy of concentrating efforts in certain regions will inevitably become apparent.

On the other hand, in the case of new leaders who are not formally recognized as heirs apparent in their factions, such as Mr Takeshita of the Tanaka faction and Mr Abe of the Fukuda faction, their activities aiming at "1984" may be criticized within the faction as "too far out in front." In fact, not a few elder Diet members in the Fukuda faction are coldly watching the "advancement" of Mr Abe. Mr Takeshita's situation in the Tanaka faction resembles that of Mr Abe. For this reason, the battles among the new leaders are expected to "develop in a complicated and active manner."

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MILITARY

COPING WITH JAPAN-U.S. MILITARY TECHNOLOGY INTERCHANGE

Tokyo EKONOMISUTO in Japanese 2 Mar 82 [no page given]

[Text]

By Gakuji MORIYA, Chairman of the Defense Production Committee of Keidanren [Federation of Economic Organizations], and Adviser to Mitsubishi Heavy Industries.

The problem of carrying out military technology interchange between Japan and the US, and the problem of Japan's exporting weapons to the US, have suddenly come to the surface. Arguments over these two problems are now being actively conducted at the present Diet session too. It is said that there was a "request for interchange" from the US side at the talks which were held in June of last year between OMURA (JDA Director General at the time) and WEINBERGER. How is the weapons industry side viewing such a situation?

MORIYA was born in Okayama Prefecture in 1907, and graduated from the Tokyo University Engineering Department. He entered Mitsubishi Aircraft in 1930, became President of Mitsubishi Heavy Industries in 1973, and became Chairman of the Board of Directors in 1977. Since June, 1981, he has been in his present post.

Politics Is One Thing; Production Is Another

ECONOMIST: Recently, the problem of military technology interchange between Japan and the US has suddenly come to the surface. Also at the Diet, this problem is being regarded as an object of arguments. It is said that, as the background of this, there was a request from the US side for the mutual consolidation of military power through the two countries' technology and through research and development by the two countries. From the standpoint of Mr. MORIYA, how do you judge such a situation?

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MORIYA: The Defense Production Committee is a place where we check into how we should smoothly carry out our country's defense production. However, without the Government's judgment, we have no right to determine whether we should promote interchange or what kind of weapons and what quantity we should produce. Therefore, I want to say that when we talk about the defense problem, it is necessary to separate political-level arguments off from defense-production arguments. We must not mix them together. The Government first decides on something. Next, in accordance with that, we will provide necessary equipment in an efficient, proper and appropriate way, while introducing our highest technology. Accordingly, the defense industry cannot supply things simply because there is demand. This point is greatly different from other industries.

Therefore, if the Government is going to carry out Japan-US interchange, I think that the two countries should openly carry out research and development, as well as technology interchange, on a mutual basis. This is probably necessary also for improving our technology. At the present stage, the Defense Production Committee is not allowed to assert, at its own discretion, that things must be in this way or in that way. It seems that the Government is also checking into this problem at present.

ECONOMIST: There has been yet no conclusion. But, there was a request from the US side for interchange. Judging from this fact itself, we can think that the level of Japan's technology for the production of weapons is on a rather high level. "Japan can co-operate with us." This is the US side's view, isn't it?

MORIYA: I have no idea how the US side is viewing it ... I cannot say anything about this matter. However, between Japan and the US, there is the Security Treaty. Besides, the two countries have an alliance relationship too. Also, the two countries have the view that they should do things together. When this view is generalized, there will be a request to Japan also in the field of technology interchange. This is rather natural, isn't it?

Also, military technology is frequently talked about. But, when we think about military technology, how much do we have to color "technology"? How far does military technology range? How far does basic technology range, and how far does peace technology range? It is difficult to classify them clearly. Military technology suddenly came to be brought up. But, when we see the trade friction, we will learn that Japanese export goods are outstandingly excellent. Therefore, we have various kinds of excellent technology.

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ECONOMIST: A little while ago, you referred to the Security Treaty and the alliance relationship between the two countries. In this connection, you said that the development of interchange between Japan and the US is a natural trend. But, for example, in connection with the production of weapons, to what extent will the two countries offer their technology as is? In case a country depends on a foreign country for something belonging to the highest secrets, there are probably some questions, aren't there? When a country is going to depend on a foreign country's technology which is related to defense, there will be limits too.

MORIYA: I do not know about that well. But, I think that Japan and the US have different bases to create technology. In the case of Japan, military technology will not be developed suddenly. In many cases, the accumulation of various kinds of technology by private circles is to be connected with military technology. That is, the private circles are taking the initiative in developing military technology. In the case of the US, however, the Government and the private circles bear the burden of the costs for developing military technology at the ratio of six to four or at the ratio of seven to three. That is, the Government is taking the initiative in developing military technology. The US is different from Japan. Therefore, technology research themes from the Defense Department become military technology as is. We probably need to become aware of such a difference. Even when we are going to exchange military technology, there are difficult sides too, for that reason. It is probably necessary for us to think about this problem a little more deeply.

How to "Connect"?

ECONOMIST: In Japan, private enterprises have technology which can be developed into technology for military purposes. In the US, the Defense Department is taking the initiative in developing military technology, and private enterprises actually produce weapons. Therefore, even if negotiations between the Governments of the two countries are successful, the private circles of the two countries will have to carry out the interchange, in fact. In concrete terms, how will they be connected?

MORIYA: Unless talks make progress concretely, I cannot say anything. But, there are various forms. When we see technology in general, licensed production among private enterprises is very active. However, in the case of military technology interchange, interchange between the US Government and Japanese private enterprises is not so easy. In the US, the Government granted money for some of the American military technology items, and developed them. Therefore, as I said in the beginning, Government-to-Government negotiations are important.

There are various combinations. General technology? Completed technology, such as aircraft and missiles? Or, basic technology before them, such as materials and aero-dynamics? According to each stage, there could be the most appropriate form of joint research. We have not yet heard anything. Besides, we do not know if we can do it.

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ECONOMIST: We have heard that Japan Electric Company (NEC) exported optical communication equipment to a company affiliated with ATT (American Telephone & Telegraph Company) and the exported optical communication equipment was later developed into military technology by way of the Defense Department.

MORIYA: About that, the ITI Minister announced a view the other day. He said that it is general communication equipment.

ECONOMIST: But, such a thing will become a daily routine, step by step ... Is such a danger not extremely high?

MORIYA: What do you mean "danger?" Possibility?

ECONOMIST: It could be "possibility" also. (laughter)

MORIYA: Possibility? (laughter) Whether it is dangerous or whether it is possible ... That will be determined by the Government's policy. If we do things which the Government does not approve, it will become dangerous. If the Government approves, it will be alright.

ECONOMIST: You said that technology interchange has various stages. But, it seems that what Japan and the US are going to do together is not only things concerning basic technology but also things in specific fields, such as electronics ...

MORIYA: I do not know about that. I have heard nothing about that. But, even in the case of electronics, it will be for private demand or for military demand. However, we probably should take it that what is based on that is general technology.

ECONOMIST: Impossible to classify it by coloring ...

MORIYA: I think so. Who will apply it, and how ... Also, even if we do not apply it, for example, if we carry out research as to plastic materials, something like carbon fiber will be created. Then, this will be developed into black-shaft golf clubs. They are light and strong. Then, it can be used for aircraft too.

There are probably some items which are aiming at something from the beginning. I think that such things will probably become problematical. If we are going to develop specific things which will not be generally used, that will probably be military technology. However, it will probably be alright to think that what can be used as weapons will be used for general purposes too.

ECONOMIST: It is reported that, as a link in technology interchange, there is also aircraft that cannot be detected on the radar screen ...

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MORIYA: Even that started from technology for private use. As buildings become taller, there will be radio-wave hazards. If the surface of buildings is coated with some sort of paint, that can be prevented. It is an application of that. That was not suddenly developed.

ECONOMIST: In other words, some technology developed for military purposes can be used for public purposes, and there could be a reverse case as well.

MORIYA: In other words, that is the technological side-effect. Therefore, technology in itself has a universal nature to the effect that if the level goes up at a certain stage, it will spread. So, I cannot say, "To what level will it go as military technology, after spreading?" Besides, it does not have any color, from the beginning.

"No Trade Friction"

ECONOMIST: Last year, an American aviation magazine, "Aviation Week," carried feature articles. It says that Japan's technology for the production of aircraft is very advanced. According to the magazine, [Japan's] aircraft production, which started from licensed production, has reached a marked level.

MORIYA: My company developed the MU-300 aircraft (first home-produced business jet aircraft). The MU-300 aircraft cleared all inspections by the Federal Aviation Administration (FAA) of the US in November of last year. Now we are ready to put it on sale. I think that the performance of this aircraft is markedly superior to American aircraft of that class, as to all points including speed, fuel-consumption efficiency, sound, flight radius, and price. However, it was not developed in a day. Up until now, my company's aircraft engineers have studied through licensed production and have studied by themselves. What they have so far studied was accumulated. As a result, that kind of aircraft was developed.

In the case of aircraft, when producing an aircraft which has good fuel-consumption efficiency and which is economical, the point is the wings. In the pre-war days, the wings developed by Goettingen of Germany, and the wings developed by the Aviation Research Institute, were excellent. We started it from licensed production. However, while doing so, we cannot win the race. Then, we succeeded in designing a new wing. That wing experiences less [air] resistance than ordinary ones do, when it is used for super-sonic aircraft. That is, it is very economical. It is probably alright to say that that wing has reached the world level. This is just an example.

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ECONOMIST: Recently, America has made requests to Japan. Among them, for example, do they not depend on your company's technology for the production of the MU-300?

MORIYA: Maybe they do; maybe they do not. This is what they should think about.

ECONOMIST: Does the Defense Production Committee not talk about such a kind of military technology interchange between Japan and the US?

MORIYA: Probably because the name of the Committee is the Defense Production Committee, everybody takes it that the Defense Production Committee is on top of jobs concerning weapons production and that the Committee controls affiliated companies. For this reason, mistakes will occur. (laughter) That is wrong. We co-ordinate systems that will enable the defense industry to produce superior things efficiently, properly, and appropriately. This is the role of the Committee.

ECONOMIST: Now, we are setting aside the Three Principles on Weapons Exports, for a while. Assuming that the Government decides to export weapons, will a rather considerable quantity of weapons be exported to the US and to other countries?

MORIYA: Well, I have no idea. I have never thought about that. (laughter) We are not allowed to think about that. (laughter) Such a case probably will not appear so rapidly. But, I think that there could be such a case, concerning parts, on a marked scale. As for why I say such a thing, the reason why so many products have been exported [to the US] as to cause trade friction, is that their quality is good. The quality of [Japanese] military materials is also not inferior to that of theirs. As to quality and the time limit of delivery, Japanese things are better than American things. Therefore, Japanese things are purchased. On this point, military materials are not different from general commodities, are they?

Also, many requests are coming, one after another, for oil mining equipment, etc. So, we export them. But, even if we export too many things, we will not be scolded. On the contrary, American companies will not be able to meet the time limit of delivery if they sub-contract. That is, when they want to sell, they cannot sell. From Japan, things of good quality are delivered, one after another, by the delivery time limit. They are delighted, and say, "Produce more and more." Such a case actually happens. This is just an example. Therefore, it is probably conceivable that such a case may happen in various fields.

ECONOMIST: Occasionally, America's national defense budget has been increasing, also when viewed from the amount of money spent. So, we think that there will be more orders of that kind.

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MORIYA: Whether there will be an increase, or not ... REAGAN says that it will increase. However, there is no knowing how it will turn out as a result.

ECONOMIST: Japan's defense production is said to be 10% or less, when viewed from the production rate of various enterprises. Will it be able to cover the demand of the US?

MORIYA: That depends on quantity. But, now, Japan's technology is markedly advanced. When I say this, I may be asked how it advances. (laughter) However, depending on the quantity of orders we receive, it will be possible to produce them together, and it will also be possible to mobilize more and more sub-contractor plants. Productive capacity has marked flexibility. If we are still behind, we will construct new plants, and then we will be able to do that. In that case, if they show us a future prospect for how many years they will give us a guarantee, there will be some ways of doing things for that case. In the case of one year alone, we will have to limit productive capacity, and we will have to take orders.

ECONOMIST: For the production of parts, do you need reliable sub-contractors?

MORIYA: The level of Japanese sub-contractors is very high. Even in the US too, there are something like sub-contractors. So, there is a small number of main contractors, but there are rather many sub-contractor-like companies.

Now, I am setting aside defense production, for a while. When the quality of Japanese products of today is compared with that of American products of today, Japanese products are superior to American products. There are many reasons. For one thing, the way of relations between a company and a labor union is one reason. In the case of the US, union members are laterally connected, and they are connected with a company by a contract. Meanwhile, in Japan, it is certain that it is also taking the form of contract, but the company side and the union side strongly feel that they are unified into one united body. In such a place, QC (quality control) activities will also be smooth. I doubt whether such a thing will be smoothly carried out under a system like in the US, as a matter of fact.

After the War, we went to the US to study aircraft QC. We brought know-how for that, and we had all employees carry it out thoroughly, and made it fruitful. We did it enthusiastically. As a result, we became able to produce products of high quality. This is natural. I do not know what will become of the Japan-US friction from now on. But, we cannot let the quality of our products fall to the level of American products.

Key Point of Management of War Industry

ECONOMIST: It is said that America's military technology development power cannot be maintained unless new brains are introduced about once in

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five years. We hear that the US is lacking talent at present ...

MORIYA: The US spends a lot of money not only for military technology but also for the Space Shuttle project and other things related to space technology. There is a possibility where various kinds of technology will come out from these things. On this point, Japan also can do that, if Japan spends the money. Therefore, we probably cannot say things comprehensively, can we?

ECONOMIST: After the War, Japan re-started from almost nothing, introduced technology, studied, and had trouble also in the fields of quality. In this way, Japan has come to here, hasn't it?

MORIYA: If we do not do that, we cannot live.

ECONOMIST: The US opened various patents internationally. So, there is also the view that the US is now in straitened circumstances, on the contrary. Now, [military] technology interchange is being called for. The purpose of that is said to be to improve the level of the two countries' technology. However, will there not be a possibility where the US, this time, may come to face interchange while preserving its own technology as a "black box"?

MORIYA: I do not know about that. What is America thinking about...?

ECONOMIST: Aside from how the Government will decide it, if the joint development and interchange of technology comes to be scheduled, the side connected with defense production will probably feel that, if it is compared to golf, the wind was against it, but the wind has changed to a favorable wind, won't it?

MORIYA: I cannot say anything. (laughter) We work, according to each stage and each environment. Therefore, if we are told to do something, we will do it. If we are told not to do something, we will not do it.

ECONOMIST: It seems to us that there will probably be a time when you will break that wall ...

MORIYA: Setting aside whether I can answer that, or not, I think that we will always have to nurture our constitution enough to be able to do so when there is a chance. But, to do so, it will take time both in the field of piling up technology and in the field of nurturing talent. Therefore, even if times are bad, or even if there are less jobs, we must consolidate the fields of both talent and technology. Otherwise, we will not be able to rise to the occasion, when necessity arises. We will become "seedless." After all, defense production must be constantly provided with quantity to some extent and with jobs to some extent. Otherwise, it will not be good. So, Japan especially has a small quantity and fewer jobs.

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As I said a little while ago, I think that how we will deal with it according to the environment is probably the most important point of the management of the military demand industry.

ECONOMIST: Do you not intend to change the environment ...?

MORIYA: That is not our work. (laughter)

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MILITARY

GOVERNMENT AGREES TO OFFER WEAPON TECHNOLOGY TO U.S.

Tokyo ASAHI SHIMBUN in Japanese 5 May 82 p 2

[Text]

In regard to the problem of exchanging weapons technology with the US, which problem is causing controversy, for example, in connection with the Three Principles Concerning Weapons Exports, which virtually ban weapons exports to foreign countries, and the policy of strengthening the Principles, the Government has firmed up its policy to formulate a unified view, during this month, to the effect that it will respond to the United States' request for co-operation, as a general principle. This was clarified by a Government source on the 4th. After the series of holidays, re-co-ordination will start among the Bureau Director General- and Division Director-level officials of the Foreign Ministry, MITI, the JDA, and the Cabinet Legislative Bureau, centering on Deputy Chief Cabinet Secretary IKEDA.

About one year has passed since the Government received the US side's request at the Japan-US security administrative-level consultations held in June of last year. The holding of the proposed Japan-US Summit Talks at the time of the Advanced Nations Summit Conference, slated for June, and the conducting of security administrative-level consultations in July are also close at hand. The Government has judged that from the standpoint of relations with the US, it will be unwise to delay [the formulation of a unified view] beyond this. During Diet discussions, however, the dangerous nature [of this policy], which may result in mutilating the Three Principles Concerning Weapons Exports, and the unclearness of the operation thereof, including "joint development," have been pointed out. It seems that the re-kindling of controversy will be unavoidable, accompanying the Government's moves. In some respects, the situation seems to be fluid, as to whether the problem will develop as expected.

With regard to this problem, Prime Minister SUZUKI, in his Diet replies since February, has been taking a forward-looking posture. Partly on the basis of such an intention of the Prime Minister, the Foreign Ministry,

the JDA, etc., have judged as follows: (1) In order to secure the smooth and effective operation of the Japan-US Security Treaty structure, it is necessary to respond to the US side's expectations and requests based on the Security Treaty and the Mutual Defense Assistance Agreement; and (2) [Japan] is not obligated to respond to all individual requests, but if it rejects any request, it will run counter to the spirit of the Treaty or the Agreement. From the standpoint of attaching importance to the reciprocity of the Security Treaty structure, they would like to establish a principle under which the exports of Security Treaty-connected weapons technology to the US can be treated separately from the embargo policy.

On the other hand, MITI has so far been expressing disapproval, partly from the viewpoint of harmony with the Principles Concerning Weapons Exports, and partly because of problems concerning the actual operation thereof. Recently, however, the flexible view has started to arise that such a direction is "inevitable," partly from the standpoint of the relationships with trade problems with the US. However, the Government as a whole thinks it necessary to conduct sufficient discussions on such problems as the relationships between the interpretation of the Treaty and the Principles Concerning Weapons Exports and the concrete method of operation. Thus, a decision has been reached to carry out re-co-ordination, including also the opinion of the Cabinet Legislative Bureau.

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MILITARY

GOVERNMENT AGREES TO WEAPON BAN LIFT

Tokyo NIHON KEIZAI SHIMBUN in Japanese 29 Apr 82 p 1

[Text]

On the problem of military weapons technology exports to the US, which problem has had hard sailing, the Foreign Ministry, MITI and the JDA have finally agreed, by the 28th, to permit exports of weapons technology. MITI, which formerly frowned upon such exports on the grounds that the Three Principles for Weapons Exports will be nullified, has yielded to the view held by the Foreign Ministry and the JDA. More concretely, the Government is to approve exports of weapons technology, including such advanced technology as very large-scale integrated circuits (LSI) and optical fiber, to the US, but not to any other foreign country, from the standpoint that the Japan-US Security Treaty is prior to the Three Principles for Weapons Exports. The Opposition Parties are opposed to the lifting of the export ban on weapons technology. It is expected, however, that Prime Minister SUZUKI will make a final decision, on the political level, by the end of May, with consideration for the US Government's request for the strengthening of Japan's defense power and the increasingly serious trade friction between Japan and the US. The Prime Minister will formally convey Japan's position to US President REAGAN at the Japan-US Summit Conference to be held in Paris in early June.

It was in November last year that the US Government strongly requested Japan to approve exports of weapons technology to the US, as part of Japan's sharing of the defense burden with the US. In accordance with this request, the Government drew up its basic view on weapons exports, with the Foreign Ministry and the JDA in charge.

Until now, Japan has disapproved, or has refrained voluntarily from, weapons exports, in accordance with the Three Principles for Weapons Exports, which Principles were established according to the ideal of pacifism mentioned in the Constitution, and the unified policy of the Government established at the time of the MIKI Cabinet. However, the Government has now clarified, by its basic view, that "Exports of weapons technology to the US should be approved, because the Japan-US Security Treaty, which calls for mutual co-operation and assistance, is prior to the Three Principles and the unified policy."

Explaining the reason for this decision, the Government says that "The Three Principles and the unified policy represent Japan's policy

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of controlling weapons exports, and do not have legal force." It then points out that "The Security Treaty is an international agreement which was concluded to secure the smooth and effective operation of the system for the maintenance of the security of Japan and the US and which has legal binding power, as is stipulated in Article 3 of this Treaty."

MITI frowned upon this basic view, for the reason that "The Japan-US Security Treaty does not contain an express provision for Japan's duty to approve weapons technology exports." It contended that the granting of weapons technology to the US, which is pushing its policy of exporting military weapons, including technology, in a positive way, without a treaty obligation may lead to the sale of Japan's weapons technology to a third country through the US and virtual nullification of the Three Principles for Weapons Exports.

With the growth of military tension between the US and the Soviet Union, however, the US Government began to request Japan repeatedly to strengthen Japan's defense power. Furthermore, the feeling, that "The US should not hesitate to bar Japanese products from the US market, unless Japan approves exports of weapons technology to the US," has grown strong, especially within the US Defense Department and Congressional circles. As a result, MITI was compelled to yield to the view held by the Foreign Ministry and the JDA.

Within the Government, however, not a few circles hold that, even if Japan is to export weapons technology to the US as an exceptional step, the following principles should be observed: (1) Japan's weapons technology should be used only in time of peace; (2) It is necessary to ban the resale of weapons technology to a third country; and (3) private circles should take the lead in exporting weapons technology to the US, even if the Government is to establish a general framework for such exports. So, the two Ministries and Agency have drawn up, on the basis of the basic view formulated in November last year, two different unified views for the Government, one including the condition that, "Exports should be approved only in time of peace" and that "Resale to a third country should be banned," and the other with the condition that "Exports should not necessarily be approved in time of peace alone" but that "Resale to a third country should be banned." They will ask Prime Minister SUZUKI for choice between the two.

The view is influential that Prime Minister SUZUKI will make a decision, on the political level, by the end of May, on the basis of the draft of unified views drawn up by the two Ministries and Agency. In accordance with his decision, the Government will make a formal decision or establish an understanding at a Cabinet meeting toward the close of the present Diet session. It wants to settle this problem by formally notifying the US side of the policy at the SUZUKI-REAGAN conference to be held on the occasion of the Versailles Summit (Advanced Nations Summit Conference) in early June.

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ECONOMIC

TAX EVASION SEEN AS SIGNIFICANT FACTOR IN SAVINGS

Tokyo SHUKAN TOYO KEIZAI in Japanese 3 Apr 82 pp 38-41

[Article by reporter Kazuyuki Miyazaki]

[Text] Edginess in the black money system [illegal deposits], which is said to amount to 30-50 trillion yen, has become apparent prior to the start of the green card system. As if in response to the edginess, the idea of reconsidering the system has been spreading rapidly in the political arena. It is very likely that Diet members will once again mutilate the green card system by legislation. The next month or so will be the first turning point. It is true that the new system is not perfect. But is there not a problem in "the reckless drive" of the green card repeal movement which ignores the principle of fairness in taxation?

Prior to enforcement of the green card system (small savings user card system) scheduled for January 1984 and issuance of green cards beginning in January 1983, an attack aimed at scrapping the green card system has been spreading rapidly.

Expected Counterattack by Underground Money Networks

It was former Prime Minister Tanaka who initiated the repeal movement. At the Tanaka faction's New Comprehensive Policy Study Group meeting held on 27 January, he asserted that "the green card system is bad. House members should block it by legislation."

At the House of Representatives Budget Committee on 3 February, Democratic Socialist Party Secretary General Saburo Tsukamoto said that "we should not hesitate to correct our mistakes." He reversed his previous position of promoting the introduction of the green card system and dashed in the direction of repealing it. Behind Tsukamoto's speech was the boss of the Democratic Socialist Party, the party's permanent counselor, Ikko Kasuga. Mr Kasuga has written "a bill to repeal the green card system." Moreover, he has distributed to various individuals and groups a leaflet entitled

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"Appealing for Immediate Repeal of the Green Card System That Has 100 Demerits and Only One Merit." Furthermore, he has been vigorously working on other middle-of-the-road parties to go along with the Democratic Socialist Party.

Mr Kasuga said that "questions and doubts which were not discussed or predicted when the income tax law was revised in March 1980 (when the green card was introduced) have burst out." He strongly asserted the following opinion in objection to the system.

First of all, because the green card system is a system assigning numbers to everyone, it violates people's right to privacy. This cannot be allowed. Second, because money that people want to shelter from the application of the green card will flow into other forms of savings to which the green card does not apply or be converted into goods, the rate of saving will decline. This will have an unfavorable influence on various aspects of the nation's economy. Moreover, if a large amount of individual savings is shifted to other forms of savings to which the green card does not apply, the amount of tax revenue from interest and dividends that the green card system is intended to increase by a switch to an integrated taxation system will likely be very small.

In short, "it is a bad law which has the danger of generating 100 demerits although it has one merit from the standpoint of the principle of fair taxation."

A View in Favor of Reconsideration Spreads in Various Directions

Although they are not as tough as Kasuga, who insists on repeal of the green card system, the number of people who support substantial dismantling of the green card system has certainly been increasing. The Diet Members' League for Green Card Measures, to which 229 LDP members of both houses belong (Shin Kanemaru, chairman), decided on 24 March to present a bill to repeal the green card system and started gathering signatures.

MITI Minister Shintaro Abe, who is a leading member of the Fukuda faction and formerly chairman of the Policy Research Council, was against the green card from the beginning. Therefore, there is a strong possibility that the repeal of the green card will be an all-faction movement. The LDP's Executive Committee has already confirmed the need for "reexamination" of the green card. As soon as opinion progresses within the LDP, steps toward repeal are expected.

Those who are still in favor of "enforcing the green card as scheduled" are in the minority on the party's Tax System Research Council, including Chairman Sadanori Nakayama and some others. Although Prime Minister Suzuki and Finance Minister Watanabe are saying that "we cannot repeal a law which was passed by the highest legislative organ, the Diet, even before its enforcement and therefore will carry it out as scheduled," what their true intentions are is an extremely delicate matter.

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Among the opposition parties, only the Socialist Party definitely supports the enforcement of the green card system. It supports enforcement to correct unfair taxation. The party that clearly wants repeal is the Democratic Socialist Party.

The Komei Party, the New Liberal Club, and the Socialist Democratic League tilt in the direction of enforcing the green card system. In the Komei Party and New Liberal Club, however, there are many members who oppose the enforcement of the green card. So, there remains a great possibility that these three parties may shift their positions depending on the trend of public opinion, the future political situation, and the possibility of "a double election of both houses" next year.

Not only in the political arena but also in the economic world, the true intention is "to not enforce the green card system, if possible." The reason for the Democratic Socialist Party's complete reversal was pressure from its largest voting constituency, the small- and medium-size business owners and merchants. The Tokyo Chamber of Commerce (Shigeo Mizuno, president), which are organizations of merchants and manufacturers, have also expressed the view that "the influence of the green card should be reexamined from standpoints other than attainment of fairness in taxation."

Within the Japan Credit Union Association, Chairman Tetsugoro Obara of the Jonan Credit Union objected to the green card from the beginning. Those who hold the view that enforcement of the green card should be postponed form the majority. Objections from the small- and medium-size business owners are stronger than anticipated. Chairman Shuzo Muramoto of the Banker's Association of Japan has also for the first time expressed the opinion that the green card should be reexamined, although he said that this was his personal opinion. He has indicated that he would support "continuation of the separate-taxation-at-the-source system" as advocated by the Federation of Economic Organizations.

30 Trillion Yen in Black Money

Why are objections coming from various directions? A leading member of the LDP's Diet Members' League for Green Card Measures explains as follows.

"After the Finance Ministry suggested as a compromise (1) that district tax offices not strictly inquire as to sources of savings made under false names in the past and (2) that depositors of taxable savings may substitute some other form of identification such as a driver's license for the green card, the party's Tax System Research Council approved its enforcement last October.

"Speaking clearly, the council judged that with the adoption of the Nagoya system that ignores past wrongdoings and the easing of identification requirements for depositors of taxable interest savings, the sources of savings which are the sources of interest and dividend income could not completely be grasped by the district tax offices. The compromise seemed, so to speak, to mutilate the green card system....

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"But it is clear that depositors can be manually identified by district tax office employees instead of using the computers of the Tax Administration Bureau which are directly connected to the green cards. If a district tax office concentrates its efforts in one region to gain a firm grip on the sources of savings, people in other areas will also become nervous, and as a result, money will be shifted from savings accounts to other forms of investment.

"We thought we could mutilate the green card system, but the truth was that we were simply deceived by the Finance Ministry bureaucrats. Then, the crisis consciousness that this is not right arose among Diet members."

The background reason why politicians have a crisis consciousness is the existence of so-called black money.

Everybody admits the existence of hidden money arising from tax evasion or some other source that the holders do not want to reveal. But the total amount of these funds is unknown.

Finance Minister Watanabe gave the following answer to the question: "Money essentially has a tendency to go into dark places," and "because the amount is unknown, it is called black money." Putting aside his "good answers," major holders of black money are the nouveau riche who sold land, small- and medium size business owners and merchants, doctors, self-employed people, politicians, and organized gangsters.

Finance Ministry Budget Bureau Director Fukuda said that as far as savings are concerned, "black money reportedly constitutes about half of all savings to which separate taxation is applied."

However, it is also a fact that a lot of savings is deposited under false names or exceeding the tax-free limit for postal savings. In FY-80 savings discovered exceeding the limit totalled 59 billion yen in 49,000 cases, the highest on record. This is, however, only the tip of an iceberg. Many people conservatively estimate that the amount of black money in savings accounts and related investments is approximately 15 trillion yen.

In the United States, the black money is said to be "10 percent of the GNP" (according to a survey made by Professor Gutman). If this method of estimation is applied to the Japanese case, black money would amount to 30 trillion yen. If the black money is 10 percent of all personal savings, it would be 33 trillion yen. It is a widely supported view that black money easily exceeds 50 trillion yen if the funds of organized crime are included.

In any case, the scale of black money is certainly not small. If this money is suddenly moved, it will inevitably have a great effect on the whole economy.

If black money is the real power source behind movements to repeal the green card system, many ordinary people who cannot even take full advantage

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of the 9 million yen allotment of tax-exempt interest savings accounts (3 million yen in bank savings, 3 million yen in government bonds, and 3 million yen in postal savings, and in addition salaried workers can have 5 million yen in asset formation savings) cannot accept it.

There are only 80,000 people whose annual income exceeds 20 million yen (it can be said that the biggest problem is that this number itself is too small). There are a little over 120,000 people who have savings over 20 million yen. So what is wrong with enforcing the green card system? This is the way ordinary people feel.

Immediate Target Is To Postpone Enforcement

Although the Ministry of Finance pretends to be calm, the shifts of money that have occurred in anticipation of the enforcement of the green card system are greater than expected.

The first phase was a shift to postal savings in the spring of 1980. Reacting to the rumor that the green card would not be applied to postal savings, the flow increased rapidly. Many depositors shifted their savings from banks to post offices. In FY-80 the increase in personal savings in 157 banks throughout the country was 6,621,900,000,000 yen, while postal savings rose by 9,369,200,000,000 yen. Although depositors' recognition of the merit of high interest rates on fixed amount savings in postal savings accounts is one reason for the change, a considerable portion of the increase was a shift from bank savings in search of a shelter from the green card system. Many concerned parties realized the power of the green card for the first time because of this big shift.

The second phase was the boom in gold investment and zero coupon bonds (discount bonds in foreign currency issued by foreign corporations) last year.

The zero coupon bonds that Japanese have bought since the first sales last April through this February reached 1.12 billion yen, of which 780 million yen was bought in February alone. Publicity regarding tax savings by stock brokerage firms contributed to the great popularity of zero coupon bonds. The Ministry of Finance suddenly had to temporize by prohibiting sales and purchases of zero coupon bonds on 3 March.

Investment in gold was heated, too. Imports of gold jumped from 65 tons in 1980 to 167 tons in 1981. In January gold imports reached 26 tons for a single month. "About half of the total gold import was due to private sector investment demand" (a high-ranking official of the Finance Ministry). Some 250 to 300 billion yen of personal money was invested in the "gold rush."

The personal money invested in gold and zero coupon bonds is over 500 billion yen. Although "gold holding's influence is slight relative to the over 35 trillion yen annual increase in personal financial assets" (a high-ranking official of the Finance Ministry), its significance cannot be ignored.

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In relation to the recent low value of the yen, Mr Maekawa, the president of the Bank of Japan, said: "One cause is the difference between domestic and overseas interest rates, but another reason is that...." He was alluding to none other than the influence of personal investment in gold and zero coupon bonds.

Financial institutions that had supported the green card system primarily to put the fetters of the green card on postal savings accounts have recently changed their positions completely for the same reason. Not a few bankers have said: "I felt keenly the coldness of financial flows."

Major city banks and stock brokerage firms are desperately trying to find out how much money will move with the enforcement of the green card system. The contents of 334 trillion yen in personal financial assets constitute 180 trillion yen in the form of tax-free interest savings and 154 trillion yen in taxable interest savings.

One city bank estimates that 26 trillion yen in tax-free interest savings and 15 trillion yen in taxable interest savings will possibly be shifted to other forms of investment. It predicts that deposits in postal savings, fixed-term savings, and demand deposit accounts will each decrease several to 20 trillion yen and that the money will be shifted to corporate bonds, stock investment, and asset formation savings. This estimation is made by limiting the range of possible shifts to only bonds, stocks, and insurance. The majority in the financial world, however, predict that in reality the portion of the shifted assets invested in goods or flowing to foreign countries will be fairly substantial.

Discount government bonds have been abnormally popular since the ban on sales of zero coupon bonds. In spite of a sharp decline, demand for gold has remained strong. Stock brokerage firms have been developing on a crash basis forms of investment to which the green card will not be applied. As these facts reveal, the movement to scrap the green card system will further accelerate.

Nets Spread Several Times

Then, how will negotiations over the green card proceed hereafter?

The first possibility is complete repeal, as advocated by Mr Kasuga and others.

The second is to postpone enforcement. In this case, there are various opinions about the length of the postponement: 2, 3, or 5 years.

The third is to enforce the system as scheduled, but to mutilate it once again by leaving the separate taxation system in effect rather than shifting to a completely integrated taxation system. In this case, whether the current tax rate of 35 percent on income from taxable interest savings account will be unchanged or raised to 42 percent (which is the tax rate

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for discount government bonds if sold before expiration) or to about 56 percent will be a focus of negotiations.

The fourth possibility is to enforce the green card system and integrated taxation system as scheduled, but also to offer the public a sweetener by increasing the allowable limit of tax-free interest savings from the current 3 million yen each for bank savings, postal savings, and government bonds to 5 million yen (a total of 15 million yen).

One Diet member cynically criticized the Finance Ministry, which has held fast to the green card, with the comment: "In the case of bank and postal savings accounts it is good to increase the current limit of 3 million yen to 5 million yen each. But in the case of government bonds, why not increase the current 3 million yen to 10 million yen? Because the Finance Ministry will have to abandon cash redemption of deficit government bonds some day, it will agree to the idea of an increase to 10 million yen. In addition, banks will start selling government bonds at the window. Isn't this a good idea that should satisfy everybody?"

The fifth possibility is to enforce the system exactly as scheduled starting in January 1984.

In any case, if the green card system is to be revised, there is not much time left in the Diet schedule. LDP Secretary General Nikaïdo said: "After the budget bill is passed, we will bring this issue to some kind of conclusion within this Diet session" (the session will close on 19 May).

In the case of the first three possibilities, the income tax law must be revised. It is quite possible to collect the 20 "nonpartisan" big names required for house members to propose legislation. However, because it takes almost a month before deliberations begin, time is lacking if house members propose revised legislation in April. Therefore, those who support revision of the income tax law intend to have the bill carried over to the next session of this Diet and to pass it in the next extraordinary session.

In the worst case, they want to buy time by revising at least Article 9 of the income tax law, which specifies a definite date for enforcement of the green card system. Then, it is possible that they will take drastic measures to adjust the interests of various groups. At present, the chance of complete repeal of the green card system being the chosen alternative is small. The next least likely alternative is the fifth--complete enforcement of the green card system.

The current green card law undeniably contains items which were not fully examined or portions that will remain "unknown until the law is enforced." Nevertheless, this discussion reviewing the green card system has totally ignored the principle of fair taxation instead of guaranteeing it. This is not a pleasant thing for ordinary people who do not have to worry about exceeding the limit of tax-free interest savings.

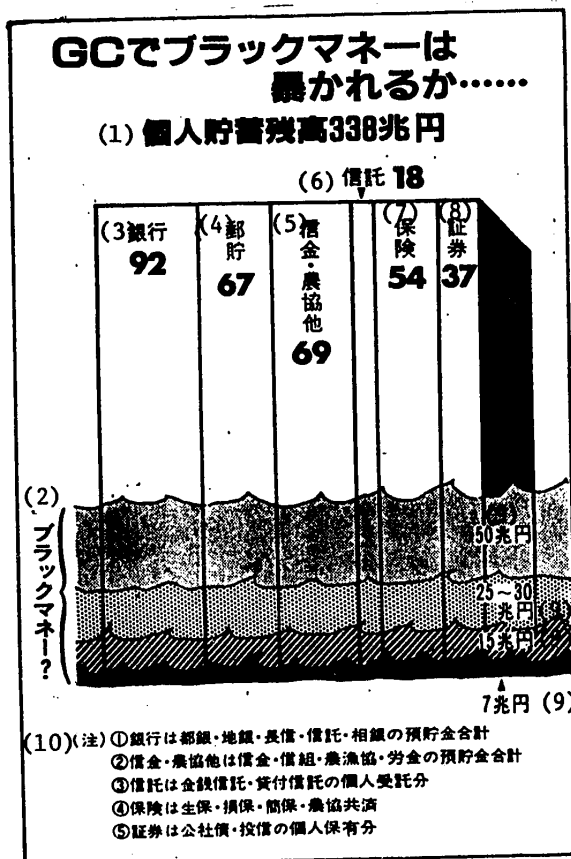
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Assets to Which the Green Card Is Not Applied

- (1) Ordinary savings and notification savings account (separate taxation--20 percent tax rate), tax payment reserve savings.
- (2) Mutual loans and savings accounts.
- (3) Discount bonds and discount government bonds issued by the end of 1983 (withholding tax rate--16 percent), discount bonds and discount government bonds issued after January 1984 and sold before expiration (withholding tax rate within the first 2 years--35 percent; thereafter--42 percent).
- (4) Stock dividends under 100,000 yen per company per year (withholding tax rate--20 percent).
- (5) Profits from sales of securities such as stocks, corporate bonds, and certificates of beneficial interest.
- (6) New-type investment trusts such as those salable at any time after 3 years without dividends (withholding tax rate on capital gains--20 percent).
- (7) U.S. Treasury bills sold before maturation.
- (8) Life insurance and individual pension funds.
- (9) Gold, jewelery, diamonds, paintings, antiques, land, and other material assets.
- (10) Savings tucked away in dresser drawers.

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Will Black Money Be Disclosed by the Green Card....



- KEY: 1. Balance of personal savings--338 trillion yen
2. Black money?
3. Bank accounts
4. Postal savings accounts
5. Credit unions, agricultural cooperative association, and other accounts
6. Investment trusts
7. Insurance
8. Securities
9. Trillion yen
10. (Note)
(1) Banks--total deposits of city banks, local banks, long-term credit banks, and mutual banks.
(2) Credit unions, agricultural cooperatives, and others--total deposits of credit unions, credit cooperatives, agricultural cooperatives, fishery cooperatives, and laborers' credit unions.

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- (3) Investment trusts--personal trust assets in money market trusts and loan trusts.
- (4) Insurance--life insurance, nonlife insurance, postal insurance, and agricultural cooperative mutual insurance.
- (5) Securities--individual holdings of corporation bonds and investment trusts.

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ECONOMIC

AGRICULTURAL COOPERATIVES OPPOSE INCREASED FARM IMPORTS

Unknown NOSAMBUTSU YUNYU JIYUKA WAKU KODAI SOSHI UNDO NI TSUITE NO
TAISHO HOSHIN in Japanese 18 Feb 82 pp 1-7

[Paper issued by the Central Union of Agricultural Cooperatives]

[Text] 1. Background and Characteristics of Demands for an Open Market
for Agricultural Products

The U.S. Government, faced with a serious deterioration of its domestic economy as symbolized by increasing inflation and unemployment, has made an issue of the growth of its trade deficit with Japan, and has requested the opening of Japanese markets by such means as reduction of tariffs, elimination of nontariff barriers, and elimination of residual import restrictions. In doing so, it has ignored the agreement in the Tokyo Round, and has demanded that renegotiation of beef, orange and fruit juice imports be moved up, with complete liberalization beginning in 1984.

The present trade friction between Japan and the United States is not just a bilateral economic issue; the major characteristic now is the heavy shadow cast by political factors.

The basic factors in trade friction between Japan and the United States concern the structure or management of the U.S. economy, including a relative decline in competitiveness and the high interest rate policy. Other factors are the excessive growth of exports to the United States of automobiles and other industrial products, and the export-dependence of the Japanese economy which makes that growth necessary; these are important problems which cannot be overlooked.

**2. Basic Thinking and Claims on Blocking Liberalization of Imports and
Expansion of Quotas**

When one considers the causes of the large U.S. trade deficit with Japan as stated above, it becomes quite clear that there is no need for the field of agricultural products to bear the least responsibility for the present trade friction.

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Accordingly, it is reasonable that the industrial sector rectify the Japanese trade surplus generated by increased exports of industrial products; to shift it to the agricultural sector is a complete reversal of natural order.

The policy task Japan now faces is the resolution of trade friction. The way to do this is to rectify excessive economic growth which depends on exports and to thoroughly apply various policies aimed at expansion of internal demand, thus restraining concentrated surges in exports of certain industrial products and making exports orderly. We must prepare our own proposals to achieve this goal. Otherwise the problem of trade friction will never be solved.

Here are our assertions in regard to blocking liberalization of agricultural goods and expansion of quotas:

- (1) The U.S. view that "the closed nature of the agricultural market" is the cause of the trade imbalance with Japan is distorted and completely mistaken. That is because Japan is the world's largest net importer of agricultural products and depends on the United States for a large part of its imports, chiefly of grain and soybeans (\$10.2 billion in farming, forestry and fishery products in 1980, a 35.2 percent share); there is no reason at all to insist that the market for agricultural products be opened even further.
- (2) Ignoring this situation, the U.S. Government has taken the closed market as a symbol and has demanded the elimination of import restrictions on 22 agricultural items, including beef and citrus fruit. This is quite inexplicable to Japan's agricultural producers and will generate intense distrust. This is not desirable in terms of friendship between Japan and the United States; not only will it turn popular sentiment against the United States, it will tend to shake the foundations of Japan's ruling party. This is a serious matter.
- (3) It is absolutely wrong to say that the agricultural market is closed only in Japan, and that the United States, the EC and other countries have open markets. That is, the Common Agricultural Policy of the EC countries gives most agricultural products a high degree of protection by providing export incentives and import surcharges which have the effect of import restrictions. Various pieces of legislation in the United States restrict imports of dairy and wheat-related products, and quantitative restrictions are placed on imports by the Meat Import Act. Thus all the advanced countries of the world have adopted policies to protect their own agricultural industries, and the barriers protecting Japanese agriculture are not especially excessive.
- (4) It is clear that liberalization of agricultural imports if it were to occur, would not have the effect of rectifying the trade imbalance and reducing the Japanese surplus. Within Japan's agricultural imports, incidentally, total imports of items involved in residual import restrictions come to a mere \$255 million (in 1980).

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(5) Most of the 73 items for which there were residual import restrictions as of December 1968 (when the cabinet decision to encourage liberalization of imports was made) have been liberalized now, and the remaining 22 items are principle crops or important crops which support regional agriculture. Japan's agriculture would surely suffer a destructive blow if these were liberalized, and serious political and social problems would inevitably develop.

(6) Because of excess production of rice, which is Japan's most important crop, Japan has continued implementation of paddy conversion measures. Former growth fields like tangerines and livestock face the problem of overproduction throughout the country, as do tobacco and silkworm production. Agricultural production as a whole is undergoing reorganization, and all Japan's producers are pouring their effort into adjustment of market conditions. We must stress the fact that production adjustments and the long-term stagnation of agricultural prices drove us, in the last half of the 1970's, into the unusually harsh situation of continued decline of real agricultural income.

(7) Even before the "resolution on strengthening self-sufficiency in foodstuffs" in the Diet in April 1981, Japanese agricultural policy included establishment of a food security system as the primary mission for the 1980's. We must stress that increased self-sufficiency in domestically produced foodstuffs has become a basic part of national policy.

3. Establishment of the Campaign

(1) Campaign objectives: We will organize to develop a powerful campaign to protect Japan's agricultural industry and upgrade our self-sufficiency in foodstuffs, which is the fundamental task of Japan's agricultural policy, by blocking liberalization of agricultural imports and expansion of quotas.

(2) Campaign structure: In order to concentrate our strength and develop the campaign to block liberalization and import expansion, we will establish a campaign structure at three levels.

1) Local level

a. The city, town and village agricultural cooperative councils will be responsible for promoting the campaign.

b. The local cooperatives will establish campaign policy headquarters (or committees).

2) Prefectural level

a. The metropolitan and prefectural agricultural cooperative central association councils will be responsible for promoting the campaign.

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b. The central associations will establish campaign policy headquarters (or committees) consisting of heads of cooperatives and officials of central associations and leagues (including specialists).

3) Central level

a. The Council of the Central Union of Agricultural Cooperatives will be responsible for promoting the campaign.

b. The Central Union will establish a central campaign policy headquarters composed of the chairmen and vice chairmen of the policy headquarters for each commodity, together with officials of the central organization (including specialists).

(3) Campaign expenses: Expenses will be covered by regular budgets at each level, whenever possible; contributions from members will be sought when necessary.

(4) Cooperation of related industry and farmers' groups: In order to achieve campaign objectives, we will develop a broad and positive campaign based on contact and cooperation with farmers' groups, specialized agricultural cooperatives and other related farming, forestry and fishing industry groups.

4. Concrete Development of the Campaign

(1) Domestic policy: To achieve the objectives of the campaign, we will combine the following methods to develop a powerful campaign through a responsible structure consisting of officers of the local cooperatives, the metropolitan and prefectural central associations and the national organization, chairmen and vice chairmen of the various commodity headquarters (and committees), and members of standing committees and committees.

1) The national government, local government leaders, political party leaders, Diet members and local council members will receive demands from cooperative members by means of postcards, petitions, and demands to the Diet and local councils. In addition, all Diet members will be sent open questionnaires on liberalization of agricultural products, to determine their intentions and to be used in achieving demands.

2) Officials of local cooperatives, prefectural associations and leagues, and the national organization will meet with government and party representatives, Diet members, and officials of local governments and councils, and make active appeals to block liberalization of agricultural imports and expansion of imports.

3) At critical points during the campaign, rallies and mass meetings will be held at every level to reinforce the will of the organization to achieve our demands. Through visits to Tokyo the campaign will be actively developed at the central level.

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4) A policy of overseas advertising will be actively pursued, and there will be spirited efforts to obtain the understanding of the press, financial circles, labor and consumers.

(2) Naturally we will make forceful appeals to the Japanese Government to bear our demands and assertions in mind and make every effort in inter-governmental negotiations. But it is also necessary that we, as a producers' organization, develop an active campaign in the other country, as follows:

1) We will pursue an active exchange between Japanese and U.S. producers' groups (including related industries) to achieve common purposes and increase mutual understanding.

2) We will make active appeals to the U.S. Government and Congress to present the real situation of Japanese agriculture and the frank feelings of agricultural producers.

5. Major Domestic and Overseas Moves on Demands To Open Markets

15-16 Jan 1982	Japan-U.S. Europe Trilateral Trade Talks
16-21 Jan 1982	Director General Sano of MAFF Economics Bureau visits United States
Jan 1982	Series of Congressmen visit Japan
23 Jan - 1 Feb 1982	Central Union President Iwamochi visits United States
Late Feb 1982	Chairman Esaki of LDP Special Committee on International Economic Measures visits United States
Feb 1982	Congressional hearings on opening Japanese markets (scheduled)
Early Mar 1982	U.S.-Japan Trade Subgroup (2d round) to meet
Late Mar 1982	Foreign Minister Sakurauchi to visit United States
Apr 1982	U.S.-Japan high working level consultations
May 1982	LDP Secretary General Nikaido and former Foreign Minister Ito to visit United States
4-6 Jun 1982	Conference of heads of state of advanced countries (Paris summit); meeting of Japanese and U.S. heads of state

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Jul 1982	Interim report of Second Ad Hoc Committee on Administrative Reform
Fall 1982	U.S.-Japan high-level consultations on agricultural products
Nov 1982	U.S. congressional elections; 38th GATT Ministerial Conference
Mar 1983	Final report of Second Ad Hoc Committee on Administrative Reform
Apr 1983	Consolidated local elections
Jun 1983	House of Councilors elections

Request to Block Liberalization of Agricultural Products and Expansion of Imports

Even though a number of difficulties have finally been overcome through trade negotiations between Japan and the United States and through the Tokyo round, the U.S. Government has demanded the opening of Japanese markets by such means as reduction of tariffs, elimination of nontariff barriers, and elimination of residual import restrictions; the reason cited is the expansion of the trade deficit with Japan, which has resulted from deterioration of the U.S. economy.

Specifically, the United States has insisted that renegotiation of beef, orange and fruit juice imports be moved up, with complete liberalization beginning in 1984.

Japan's agriculturalists are very distrustful of this U.S. attitude. The basic factors in trade friction between Japan and the United States are issues of the structure or management of the U.S. economy, including a relative decline in competitiveness and the high interest rate policy. Other factors are the excessive growth of exports of industrial products, and the export-dependent management of the Japanese economy which supports that growth.

Japan's agricultural industry is continuing implementation of paddy conversion measures because of the rice surplus, and producers faced with extremely difficult situations in respect to fruit and livestock are making immense efforts to adjust supply and demand. The recent frost damage has been an added difficulty; Japan's agriculturists have been driven into an extremely difficult situation. To break out of this situation and to open up brighter prospects for the future, Japan's agriculturists have combined their strength in eager study of specific policies to advance agriculture in Japan.

Accordingly, we earnestly request that the government give full consideration to the harsh situation into which Japan's agricultural industry and farmers

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have been placed, and absolutely oppose reduction of tariffs and elimination of nontariff barriers, of course, and especially liberalization and expansion of import quotas for the beef, oranges and fruit juices in which the United States has a strong interest, and for other items subject to residual import restrictions.

18 February 1982

Presidents and Councils, National and Prefectural Associations and Leagues
of Agricultural Cooperatives

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CSO: 9029/1076

SCIENCE AND TECHNOLOGY

NEC STOPS SPOT EXPORTS OF 64-KILO-BIT RAM'S TO U.S.

Tokyo NIHON KEIZAI SHIMBUN in Japanese 14 Apr 82 p 8

[Text]

NEC, which is the biggest semi-conductor company (in Japan), clarified on the 13th that it has completely suspended spot exports to the US of 64-kilo-bit RAM's (random access memories), which are important parts for computers. The policy of this company for the future is to limit exports of 64-kilo-bit RAM's to the US to shipments to big users, including computer manufacturers who have concluded long-term supply contracts. The 64-kilo-bit RAM is an ultra-modern technological product which provided a clue to re-kindling the "Japan-US semi-conductor war." Even on the US market, Japan has an overwhelmingly high share. The US side is asserting that "Japan is strong because of its exports at low prices." Especially, it is pointing out the decline in prices on the spot market in the US, and is also showing moves to start a lawsuit on a charge of dumping. All the more for this reason, the fact that NEC, the biggest domestic company, has clarified the policy of suspending the spot export of 64-kilo-bit RAM's will help also in containing such moves in US industry circles.

According to NEC, this company has so far shipped 64-kilo-bit RAM's to 30 personal computer and computer manufacturers in Europe and America, as samples, and it received, from 22 of these manufacturers, reports on their passing "quality examinations," which are a premise for delivery. It is said to have started long-term supply of 64-kilo-bit RAM's to several major US manufacturing companies including Honeywell, based on a contract for hundreds of thousands of pieces per annum.

On the US semi-conductor distribution market, the sales companies at the medium stage have strong power as to sales to final users. In Japanese semi-conductor manufacturers' selling IC's (integrated circuits) and LSI's (large-scale integrated circuits) to the US, there are two cases -- selling them to the general market through these sales companies and supplying them directly to users. In regard to exports of 64-kilo-bit RAM's, NEC adopted the policy line of attaching importance to direct sales through long-term contracts with final users.

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During the past year, the average market price of the 64-kilo-bit RAM has markedly declined from \$50 to \$5 per piece, and "US semi-conductor industry circles' moves to make the dumping exports of Japanese products an object of criticism are rising suddenly" (NEC leader). It is said that sales at a low price are especially conspicuous on the spot market.

NEC has suspended its sales of 64-kilo-bit RAM's to the spot market, and at the same time, it is planning to move up largely its plan for local production of these products at its semi-conductor plants in the US (Head Office in Mountain View, California; the name of the local enterprise: Electronic Alleys), start mass production on the scale of 100,000 pieces per month, effective from this month, and produce and supply half the amount under long-term contracts in the US.

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SCIENCE AND TECHNOLOGY

MITI PLAN FOR 700,000-TON ALUMINUM INGOT PRODUCTION COLLAPSING

Tokyo NIHON KEIZAI SHIMBUN in Japanese 19 Apr 82 p 7

[Text]

The "basic plan for the stabilization of the aluminum-refining industry," which plan MITI is scheduled to bring into force in the present fiscal year, to combat the structural depression of the aluminum-refining industry, has already begun to show signs of collapse. This plan aims at keeping the aluminum ingot production capacity at home at the level of 712,000 tons a year. However, the actual output in the present fiscal year, which is the first year of MITI's plan, is to be even less than one-half this level, according to the production plans drawn up by the respective refining companies. The reason is that the moves, which may be regarded as preparations for withdrawal from aluminum refining at home, have come to the fore. For instance, Showa Light Metal has established a tie-up with CRA of Australia, so that it can meet demand for ingots at home with ingot supply from abroad alone. Sumikei Aluminum Industries, too, has decided to suspend production totally for two years to come.

According to MITI's plan, six aluminum-refining companies, whose total aluminum ingot production capacity is 1,136,000 tons a year, are to abandon or freeze production facilities and equipment accounting for 424,000 tons out of this total capacity in two years, or in fiscal 1982 and in fiscal 1983. For the maintenance of the remaining capacity of 712,000 tons, MITI will offer assistance to the aluminum-refining companies, with major emphasis on the following measures: (1) to decrease the burden to be borne by these companies for the payment of the fixed expenses for the electric power generation facilities which they maintain jointly with electric power companies; and (2) to exempt aluminum ingots from the tariff (presently nine per cent), within the limit corresponding to the amount of facilities and equipment abandoned or frozen.

While such measures for assistance are entering a stage for implementation, however, the refining companies are decreasing production more and more drastically, and are even showing moves which can be regarded as preparations for withdrawal, instead of endeavoring to maintain the aluminum-refining capacity at the MITI-planned level of 712,000 tons a year.

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First, Showa Light Metal has established a tie-up with CRA of Australia, and has concluded a contract, whereby it can import about 100,000 tons of aluminum ingots from Australia every year, in return for its investments amounting to ¥25 billion. Showa Light Metal has already been planning to switch to an enterprise not dependent on indigenous ingot supply. Also, it has been tackling overseas refining projects positively. With the establishment of a tie-up with CRA, it has carried out its switchover, to establish a structure which will enable it to discontinue refining at home at any time.

On the other hand, Sumikei Aluminum Industries, which is a subsidiary of Sumitomo Light Metal Industries, has decided to suspend totally the operation of the Sakata Refinery, which is its only plant, by next month. It says that this plant will be closed for a period of two years, and that it will continue to maintain the facilities and equipment at this plant during this period. However, there is the extremely small possibility that this plant will go into operation again with the lapse of two years from now, because the present structural depression of the aluminum-refining industry has its cause in the high cost of electric power necessary for electrolysis. It can be said that Sumikei Aluminum Industries has virtually decided upon withdrawal.

As a result of the decision made by Sumikei Aluminum Industries on total suspension of refining, the indigenous output of aluminum ingots in fiscal 1982 will decrease to about 340,000 tons, or far less than 400,000 tons, according to the production plans drawn up by the respective refining companies. The amount is even less than one-half the level of 712,000 tons which MITI is planning to maintain. It can be said that MITI's plan, which aims at maintaining the production capacity at home at a certain level and calls for such measures as exemption from tariffs, has been shaken to its foundations. MITI is to confirm the existing facilities and equipment and the plans for their abandonment and freezing of the respective refining companies, and receive reports on aluminum ingot imports during three years from 1979 through 1981, on April 15 and 16. It is scheduled to determine, on the basis of these reports, the tariff exemption quotas for the six refining companies some days after April 20. It deserves attention what decision MITI will make at this time.

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SCIENCE AND TECHNOLOGY

JAPAN-U.S. COOPERATION IN SEMICONDUCTORS TERMED POSSIBLE

Tokyo YOMIURI SHIMBUN in Japanese 18 Apr 82 p 3

[Text]

At a time when the Japan-US trade friction over semi-conductors is becoming a problem, Tokyo Shibaura Electric is going to conclude a contract with Xylogics of the US for the exchange of semi-conductor technology.

The US Government and some US manufacturers have openly started moves to secure the invocation of the national security clause of the Trade Act or file a dumping suit, in order to counter Japan's semi-conductor exports centered on the 64-kilobit random access memory (RAM).

For the settlement of trade friction, it is essential for Japanese and US manufacturers to establish mutual, co-operative relations between them. We want to expect that the manufacturers will start positive efforts hereafter, for the implementation of such ideas as joint study.

The Japan-US friction over semi-conductors was touched off at Silicon Valley, California, which is a semi-conductor production base in the US, at the beginning of last year. In February this year, the US Semi-Conductor Industry Association asked the Government to establish restrictions, saying that "The US market will be dominated by Japanese products, if the present situation continues." As a result, tension has grown even further.

It was only recently that a high official of the US Government warned that "Japan is planning to expand its production capacity extremely, for domination of the US semi-conductor market."

The American criticism and apprehensions, however, are not necessarily reasonable. There is even the impression that the US is surprised by the rustle of leaves.

Primarily, the US is an advanced semi-conductor-manufacturing nation. Especially, its share is overwhelming in regard to logic integrated circuits, micro-processors and micro-computers.

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At present, exports and imports are virtually balanced in Japan-US semi-conductor trade. Japan has been expanding exports of memory integrated circuits, which it developed on the basis of desk computer production. On the other hand, it is importing a similar amount of products from the US. We think that it is quite possible for the two countries to establish prospects for the expansion of semi-conductor trade on a balanced basis, by making use of the merits of international division of labor.

It may be true that the US harbors excessive anxiety about Japan, because it is irritated for fear that Japan, which has outranked the US in such fields as automobiles and iron and steel, where the US once held dominant market shares, may deal a blow to the US in the field of an up-to-date industry as well. As a matter of fact, some politicians and business leaders have revealed such a view.

The US also thinks, from the standpoint of military strategy, that it will be wise for the US to bar Japanese products at once. It is true that the US semi-conductor technology has been developing in connection with military requirements. Reliance on military requirements alone, however, will distort the progress of semi-conductor technology, which is called the new rice for industries.

Even with the use of the desk computer, in which Japan is strong, it is impossible to measure correctly the irritated American feeling or the American speculation over military strategy. Japan's exports, even when accounting for a very small portion of the transactions in the US, will invite excessive reactions from the US side, if they are concentrated in a brief period.

So, it is necessary for the Japanese side to take careful measures. It must be noted, however, that semi-conductors have become indispensable for all industries, including such up-to-date industries as space development, computers and aircraft. Therefore, the fields, where Japanese and US manufacturers can join hands together in pursuit of co-existence and co-prosperity, should be very wide.

We hope that the US will not resort to such temporizing measures as the establishment of import restrictions.

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SCIENCE AND TECHNOLOGY

PARLIAMENTARIANS' SCIENTIFIC, TECHNOLOGICAL EXCHANGE TO SPREAD

Tokyo NIHON KEIZAI SHIMBUN in Japanese 3 May 82 p 2

[Text]

A "Japan-US Scientific and Technological Parliamentarians League," consisting of Japanese and American parliamentarians, will be inaugurated in June. The objective of this League is to explore ways of development and joint use of science and technology with an eye on the 21st century, including the launching of Japanese-produced artificial satellites using the space shuttle, co-operation in the construction of space stations, and studies on genetic engineering and robot technology. The Japanese side, thinking that promotion of co-operation in the field of space technology will be linked also to the elimination of the Japan-US economic friction, intends to pile up frank dialogues exceeding the framework of Government-to-Government negotiations, in order to materialize it. It is aiming at spreading the networks for international parliamentarian exchange over science and technology, in line with the "Franco-Japanese Scientific and Technological Parliamentarians Forum," the inauguration of which has already been decided.

The Japan-US Scientific and Technological Parliamentarians League will be chaired by US House Science and Technology Committee Chairman FUQUA (Democrat), and it will be participated in by about 10 members of the Senate and House of Representatives from the US side, and by five persons including Diet member Jushiro KOMIYAMA and Upper House member Taro NAKAYAMA (LDP Space Development Special Committee Chairman) from the Japanese side. KOMIYAMA will visit the US in early June, and the first meeting will be held in Washington.

The Japanese side is most enthusiastic about the plan for launching a home-produced artificial satellite using the space shuttle. At present, the Government makes "independent launching" its basic policy in accordance with the decision at the Space Development Committee. However, such related organs as NTT (Nippon Telegraph and Telephone Public Corporation) are hoping to ride in the shuttle together, to reduce the cost. According to NAKAYAMA, who visited the US recently and held talks with NASA (National Aeronautics and Space Administration) leaders, the US side also is showing a forward-looking posture toward joint use with Japan.

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It intends to work upon the Japanese Government also to realize it, thinking that strengthening tie-up and co-operative relations in the form of Japan's becoming a "customer" for US space technology will result also in easing the trade imbalance between the two countries.

It is also scheduled to hold a scientific and technological policies symposium by parliamentarians of the OECD member nations, under the lead of the Parliamentarians League, taking the contents of discussions at the Versailles Summit into account.

On the other hand, the establishment of the "Franco-Japanese Scientific and Technological Parliamentarians Forum" was decided upon at the talks between Scientific Research and Technology Minister CHEVENEMENT, who came to Japan recently with French President MITTERRAND. It is arranged that the first meeting will be held during September, and that opinions will be exchanged with "technological development in the Third World" through co-operation between the two nations as the central theme. The Japanese side intends to show a co-operative posture in a positive way at this meeting, too.

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